



## Hogan Lovells

# How blockchain might change the whole fashion industry – and safeguard the authenticity of your goods

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So far you have probably only heard of blockchain in connection with financial transactions and Bitcoins. Well, that should change soon.

Blockchain is the catch-all term for technology that permanently records transactions in a digital, tamper-proof database. Information is distributed across a network of computers rather than being controlled by a single entity, is updated automatically and is accessible to anyone in the network, but cannot be altered or deleted. So when a user enters information in the digital ledger, that entry becomes linked to every other entry, or “block,” and every other copy of the ledger is automatically synchronized via the internet. The interconnection among all the blocks in the “chain” makes the ledger unhackable, at least in theory, because a hacker trying to alter a single entry would have to alter every other link in the chain as well.

The distributed nature of blockchain also makes the supply chain more transparent, because every user can see the entire history of entries in the ledger. Contrary to earlier times, transparency concerning the origins of products became an advantage: Consumers are demanding it increasingly and businesses are using it as a selling point. A blockchain can be public or private, accessible to everyone or only to selected companies and individuals. Furthermore, as already mentioned, blockchain can be used to reduce payment costs. Using crypto currencies instead of money transfers between countries can save the company from high transfer costs. Blockchain also can be of use for inventory management and verification of companies’ claims e.g. regarding product origins or ethical standards.

## Why do businesses need to take note?

One question that has recently become more and more urgent in the fashion industry is how to ensure the origin, quality, and authenticity of fashion products and how to prevent the purchase and sale of fake products.

Blockchain, when combined with radio frequency identification and other Internet-of-Things technologies, can instantaneously track shipments of raw materials from source to factory. It can then track the finished product through its entire distribution chain to the consumer, thereby, giving rise to greater transparency about the origins of garments and accessories not just for brands, but for consumers as well, should brands opt to share this information.

Looking beyond manufacturing and distribution, blockchain also has the potential to enhance intellectual property protection for designers and brand owners. Especially in the fashion industry, which is determined by seasonal trends, blockchain might be a cost-efficient alternative to design registrations if a long-term protection for a seasonal design is not necessary. When branded goods can be tracked through blockchain, their authenticity can be easily verifiable by brand owners, retailers, and consumers, potentially helping to reduce unintentional purchases of counterfeit goods. In the highly competitive world of luxury fashion, blockchain's main role is to connect brands and retailers that normally wouldn't share information with rivals. For example, consignment sellers and even individual consumers could verify an item's authenticity by comparing its digital signature to entries in a decentralized database.

<https://www.hlengage.com/blockchain>

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## How we help

Together with our clients we find practical solutions to protect their intellectual property. Thereby we accompany our clients from the initial idea through registration or licensing to litigation – if necessary.

To discuss how we can help you protect your brands and products, contact Yvonne Draheim or Sabrina Duecker.



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